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Vanderlip, Frank Arthur

Reconstruction

[New York]

[1918]

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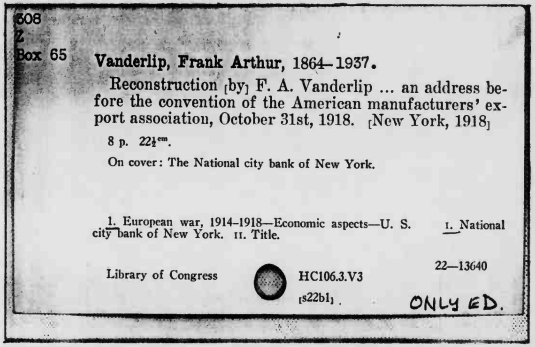
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Vanderlip, Frank Arthur, 1864–1937.

Reconstruction [by] F. A. Vanderlip ... an address before the convention of the American manufacturers' export association, October 31st, 1918. [New York, 1918]

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Reconstruction

F. A. VANDERLIP

Reconstruction

F. A. VANDERLIP
President
The National City Bank
of New York

AN ADDRESS
BEFORE
The Convention of
The American Manufacturers' Export Association
October 31st, 1918

Reconstruction

The dominating fact that is in all our minds is that peace is coming. The last gun may not be fired tomorrow, but some tomorrow, and that at no very distant day, will mark the firing of that last gun.

When we entered the war, we knew little of what war meant. We did not comprehend the gigantic effort that we were to make. We did not measure the number of men who would be drawn to the colors. We had no conception of the vastly greater army that would be needed to support with supplies and munitions the men who were going to the front. And now, perhaps, we do not estimate truly what the coming of peace will mean, and have not measured the gigantic forces that must be diverted from war work to the works of peace.

It has been estimated by a high authority that there are needed six and one-half persons back of the lines in gathering raw material, in workshops and in transportation for every man who wears a uniform. If that estimate is correct, there are eighteen million persons in the United States engaged in work directly relating to the prosecution of the war. With the coming of peace then there is to be the most tremendous transition in industry that has ever been known in the world, and that transition must take place almost as quickly as did the mobilization of industrial forces for the work of the war.

Some comprehension of all this is getting into the business mind and it is interesting to note the business psychology of the country. We see a vivid interest in

the outlook for foreign trade. Men have noted the great increase in our productive capacity and recognizing the transition which must come and which at probably no distant time may start overnight with great force, they are naturally beginning to give consideration to the future. They are wondering if their problem, which now more than anything else is a problem of obtaining labor, may not suddenly turn into a problem of obtaining tasks for labor to perform.

One of the most significant results of the war to us has been the financial changes that have accompanied it. In the period from its outbreak to the time that we ourselves entered the struggle, this country bought back of our own securities held abroad about two and one-half billion dollars. It purchased the obligations of foreign governments to a total of some $2,400,000,000., and now since our entry, our Government has loaned our associates over seven and one-half billions. This with the increase of foreign bank credits makes a total change in our situation measured by about twelve and one-half billion dollars.

The highest estimate of the amount of foreign investment in this country, of which I know, placed the total at five and one-half billions. We have now paid off that debt, and viewing our position internationally, have seven billions more to our credit.

The first great trade influence that we are likely to see immediately following the declaration of peace is an insistent demand for food, for raw material, and for certain manufactured products. That demand will be so insistent that it must be met. It will not be confined to the belligerent countries, for the war has dislocated commerce the world over. If we are to sell to other nations great amounts of our products, raw materials and manufactures, the question must at once

arise, in view of existing international financial position, as to how other nations are to pay for what they need. Whatever is bought must be paid for in some way. A foreigner cannot buy a knitting needle without in some way providing means to pay for it. I know of but three methods by which a foreigner can pay for a purchase. It must either be by the sale of goods to us, by the export of gold to us, or by floating with us in some form, credit obligations. These devastated countries cannot put their industrial organizations into shape to manufacture any great amount of goods for us in the first year or two at least. Whatever other difficulties they may experience, they are first without raw materials. They must have these before the wheels of industry can be started at all. Certainly they have not the gold to ship, and we ought not to demand it. That leaves the inevitable conclusion that we must absorb foreign credit obligations in payment for a large part of our exports.

The tap-root of this whole question of foreign trade, in the light of our position as a creditor nation, seems to me to run right down through the capacity of our workshops to manufacture and the efficiency of our labor to produce, and extend on into our ability as a nation to finance the purchases. Unless we will finance them, in many cases the purchases cannot be made, and so your ability to develop a great foreign trade will be circumscribed by the willingness of the country to absorb more foreign securities.

One thing that the war has shown us has been that we greatly underestimated the strength of our financial position. Our savings, our ability to make new investments, jumped from say six and one-half billion dollars a year to a total this year of fifteen billions. We have seen the greatness of little things in business. More

than nine hundred millions has been collected in small sums by the sale of War Savings Stamps. Our capacity to save is so great that it seems clear that we can probably devote a very large amount of our savings to investment in foreign securities. I believe that the total is not less than three billions a year. The banks and the investment houses have a great role to play in wisely selecting foreign investments and intelligently popularizing them with our investors.

We are facing a time when there is going to be the greatest need for the wisest governmental attitude toward business and toward this whole subject of reconstruction. Are we to continue price control, or shall we have freedom of competition? If foreign buyers are given credit and are permitted free access to our markets, will they rob us of our raw material and leave the workshops bare and the workmen empty-handed? Should the new League of Nations take stock of the whole world's store of raw material and for a time ration each nation according to its needs? These are all questions of tremendous import and you should have well-considered opinions, for we cannot expect to have the government have sounder judgment than the sum-total of public opinion.

The problem of demobilization is going to be one of great importance. We have found the operation of the selective draft to be on the whole satisfactory. Should we now have selective demobilization? Demobilization may extend over a year and possibly take two years. Should the selective principle, which would bring back into commerce and industry first those men best fitted and most needed, be applied to the demobilization process?

We have our duty towards reconstruction as clearly as we had our duty towards the war. Let us continue

to be altruistic. If we render to the world a great service we can rest easy about our reward. We have a great opportunity. Let us see what we can make of this opportunity, not what we can make out of it.

I wonder if you manufacturers appreciate the great obligation that lies on you? What is the one thing above all else that might prevent present conditions from blossoming into wonderful prosperity? The answer is labor troubles. You may say that labor is too highly paid; that labor must be liquidated. In some instances labor certainly is too highly paid. When riveters and caulkers make $200 a week, as some do, they are out of line with the rewards that others receive. But it seems to me that the thing we must try to do is so to organize industry that labor will produce enough so that it will earn what it is getting. The economic service that you are rendering your country is incalculably great, but you can render a service to society that is on a level with the sacrificing service of great doctors, or of men of learning and of science. We have learned that there are things greater than money making. The solving of this problem that has always been with us, this antagonism between capital and labor, would be one of the greatest contributions that could be made to this country. And you have the solution largely in your hands.

I want to venture to voice a solemn warning against the danger in this time of crisis of political controversy. I believe the voice of the people should be heard in these days when the questions are of such vast concern. I believe, too, that public servants who have done great tasks well should be trusted. A great task has been well done. Two million men are in France and have turned the tide of battle. Some mistakes may have

been made, but so far as they were honest they can be forgiven.

But the problems of peace are, in their way, going to be as great as have been the problems of war. I am not sure but that they will be more difficult. We shall need the wisdom of the whole people to solve them. It is no time for heated partisanship. We should have the deepest consideration and the calmest judgment applied to these problems. On that wisdom and on that judgment will depend the welfare of countless millions, both inside and outside of this country.

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